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IMPACT OF THE PRESIDENT'S NEW BUDGET RECOMMENDATION ON TRANSPORTATION PROGRAM FUNDING LEVELS

(96-54)

HEARING

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION HOUSE OF REPRESENTATIVES

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IMPACT OF THE PRESIDENT'S NEW BUDGET RECOMMENDATION ON TRANSPORTATION PROGRAM FUNDING LEVELS

TUESDAY, APRIL 1, 1980

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, D.C.

The subcommittee met at 10:07 a.m., in room 2167, Rayburn House Office Building, Hon. James Howard, chairman of the subcommitee, presiding.

Mr. HOWARD. The Subcommittee on Surface Transportation will please come to order.

I would like to announce that the House is in session this morning, and it may be necessary from time to time for us to suspend in order to report to the floor and vote.

This morning, the Subcommittee on Surface Transportation is meeting to hear testimony from the Secretary of Transportation regarding the impact of the President's new budget recommendation on transportation program funding levels.

The subcommittee plans to examine carefully the amount of each proposed funding cut, and in addition, we are equally concerned about the process used to administer these cuts, particularly with regard to the Federal aid highway program.

Over the long term, the subcommittee may have to advance legislation governing the procedures which the Department may use to control funding allocations.

Welcome once again to the subcommittee, Mr. Secretary. We are grateful for your appearance here. We do have a copy of your statement, and without objection that will be made a part of the record at this point.

[The following was received for the record:]

STATEMENT OF SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT BEFORE THE HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE, SUBCOMMITTEE ON SURFACE TRANSPORTATION, CONCERNING DOT BUDGET ADJUSTMENTS, APRIL 1, 1980.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be back with you this morning to describe how the President's anti-inflation initiatives will affect the DOT budget.

As you all know, the President's initiatives respond to the dramatic surge in inflation in the past two months, sharply rising interest rates, and rapid increases in energy prices. As the President said, the inflation challenge requires strong medicine, and he has now prescribed it. An essential first step is to bring the Federal budget into line.

Before I describe the specific reductions we are proposing, I want to reiterate that the budget the President approved in January for the Department was already restrained. It accurately reflected the overall fiscal and program priorities of the government and the Department at that time. It also advanced the Department's major objectives in the areas of transportation safety and conservation of our transportation resources, particularly energy.

Since that budget was submitted, however, the number one objective of the government -- to check and to contain inflation -- has become even more pressing. Inflation hurts transportation programs just as it hurts every other aspect of our society. Without action to control inflation, the dollars we spend on transportation will buy less and less, allowing us to accomplish less while spending more. To reverse this trend we are proposing budget reductions to halt inflation but in a way that continues to move us toward our broad transportation objectives, although at a somewhat slower pace.

We have, therefore, made our proposed reductions keeping three basic principles in mind. First, our concern for safety will continue to override all other objectives. None of the reductions we are now proposing will adversely affect any activities aimed at maintaining and improving safety. That has been my highest priority.

Second, the current price of oil has only hardened our resolve to maintain the energy initiative. We have tried to retain energy conservation programs that promise to produce the most immediate fuel savings.

Finally, considering our overall purpose, Mr. Chairman, we recognize that our citizens accept cuts in programs that benefit them providing the reductions have been made equitably among the Department's programs. While the dollar amounts differ, major capital programs for the various modal programs have been cut between 7.1 and 9.8 percent.

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As I explained to the Subcommittee on Aviation last Thursday, these reductions will not compromise FAA safety programs. Air travel will become even more safe as a result of the $350 million in new facilities and equipment that we proposed in the January budget. This $350 million figure has not been reduced. Similarly, the Coast Guard's safety-related activities will be sustained. Our activities in highway and railroad safety and in the transportation of hazardous materials will continue at levels proposed in the January budget.

Department-wide, outlay reductions related to program cuts will amount to $1.1 billion in FY 1981. A number of programs are affected by this need to restrain spending, and several are within the jurisdiction of this Subcommittee.

The Federal-Aid Highway Program, which is the Department's largest spending category, will undergo a reduction of about 8-1/2 percent. As you know, in our highway assistance programs there is a substantial lag between the time projects are approved and the time that states and contractors actually spend the funds. The revised budget will reduce the total obligations for highway assistance from $8.85 billion in FY 1980 to $7.70 billion; in FY 1981 the projected program level of $8.85 billion will be reduced to $8.50 billion. These reductions will result in lower outlays by about $400 million in FY 1981. In our judgment, the highway program can be sustained on a reasonable basis despite these reductions.

Depending on how states decide to use the remaining funds, we believe that we can continue making progress toward our goal of completing the Interstate System on the schedule called for in the Surface Transportation Assistance Act of 1978. The actual impact these actions will have on the states will vary considerably, depending on the availability of local matching funds and the rates at which the states have obligated federal highway funds during the early months of the current fiscal year. In recent weeks, the rate of obligation of highway funds has soared -- perhaps in anticipation of Presidential action to restrain highway spending as part of an anti-inflation program. In order to determine the amount of funds which need to be deferred, we temporarily suspended approval of Federal-aid highway projects. We are apportioning a limited amount of funds to the states and will be working with them to develop obligation plans for the balance of the highway funds available. Highway funds can be applied to highest priority projects during the remainder of the fiscal year. Every effort will be made to prevent the lapsing of funds. Use of available resources for emergency relief projects will not be constrained by this limitation.

Mr. Chairman, let me turn to the second area of reduction -- programs that we proposed last year as a part of the President's $16.5 billion transportation energy initiative. You recall that these new programs were contingent upon enactment of the windfall profits tax, which now awaits the President's signature. The major element of that initiative is our proposal to augment our grant programs for transit development and related programs for more efficient use of automobiles. The January budget included $1.3 billion as FY 1980 supplementals under this new program.

In the current revisions, the FY 1980 supplementals will be reduced to $675 million. The amount available in FY 1980 will include the funds in our original estimate for programs which we believe have the most rapid pay-off in terms of energy savings.

The fuel economy assessment element of the transportation initiative will be deferred from FY 1981 to FY 1982 and our proposed cooperative Auto Research Program will be reduced in FY 1981 resulting in an outlay savings of $6 million. In addition, initiation of the Auto Use Management portion of our Transportation Energy Initiative will be deferred until FY 1981 since authorizing legislation has not been enacted. This will save $120 million in FY 1981 outlays. We continue to seek authorization of this program, however, in order to achieve major energy savings in the transportation sector.

The January budget had included $200 million for UMTA's urban initiatives program in FY 1981. This program will be trimmed back to $120 million, but we believe this will be sufficient to carry the program forward at an adequate level stressing projects with highest potential. The proposed reduction also includes a decrease in the FY 1981 UMTA research and development program. We have not, however, reduced transit operating expenses.

Reductions have also been made in programs under the jurisdictions of other subcommittees. The Federal-Aid Airport Program obligation limit will be reduced by $50 million in FY 1981, and some lower priority

projects unrelated to safety will be deferred until late in the fiscal year. We will also save about $100 million in FY 1981 by deferral of certain lower priority work and equipment acquisitions in FRA's Northeast Corridor Improvement Project and in Amtrak's capital program. Finally, throughout the Department we have made a range of smaller reductions in operating programs, including savings from the personnel freeze and tightening up of travel and other administrative expenses related to overhead.

Mr. Chairman, the President has taken bold and courageous action to slow the rate of inflation by proposing steps to balance the budget. I support this action, and I support the specific reductions we have made in the DOT budget. I believe that our people will accept these restraints if reductions are applied fairly, because they recognize the current inflationary spiral. These reductions we have discussed are reasonable and rational in light of the overriding need to control inflation, but they do not compromise the Department's basic objectives.

That concludes my prepared statement, Mr. Chairman. I would welcome any questions that you or the other Members may have.

Mr. HOWARD. Mr. Secretary, if you will for the record identify the people appearing with you, and then proceed as you wish.

TESTIMONY OF HON. NEIL GOLDSCHMIDT, SECRETARY, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY MORTIMER L. DOWNEY III, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS, JOHN S. HASSELL, JR., DEPUTY FEDERAL HIGHWAY ADMINISTRATOR, AND LILLIAN LIBURDI, DEPUTY URBAN MASS TRANSPORTATION ADMINISTRATOR

Mr. GOLDSCHMIDT. Thank you, Mr. Chairman.

I am pleased to reintroduce to the committee Mort Downey, the Department of Transportation's Assistant Secretary for Budget and Programs; Lillian Liburdi, who is the Deputy UMTA Administrator, and John Hassell, who is Acting Federal Highway Administrator.

Let me skip my introductory comments about the reasons for making adjustments in the budget, which have been extensively described in every forum in this community. With respect to the Department of Transportation we had three basic principles in mind at the time we made our proposed reductions.

First, our concern for safety will continue to override all other objectives. None of the reductions we are now proposing will adversely affect any activities aimed at maintaining and improving safety. That has been my highest priority and that of the President.

Second, the current price of oil has only hardened our resolve to maintain the energy initiative. We have tried to retain energy conservation programs that promise to produce the immediate fuel savings, in recognition of the fact that the continuing pressure of oil prices in our economy is in itself tremendously inflationary.

And finally, considering our overall purpose, Mr. Chairman, we recognize that our citizens accept cuts in programs that benefit them providing that the reductions have been made equitably among our Department programs. While the dollar amounts differ, major capital programs for the various modal programs have been cut between 7.1 percent and 9.8 percent.

As I explained to the Subcommittee on Aviation last Thursday, these reductions will not compromise FAA's safety programs. Air travel will become even more safe as a result of the $350 million in new facilities and equipment that we proposed in the January budget. This $350 million figure has not been reduced. Similarly, the Coast Guard safety-related activities will be sustained, and our activities in highway and railroad safety and in the transportation of hazardous materials will continue at levels proposed in the January budget.

The departmentwide outlay reductions related to program cuts will amount to $1.1 billion in 1981. A number of programs are affected by this need to restrain spending, and several are within the jurisdiction of this subcommittee.

The Federal aid highway program, which is the Department's largest spending category, will undergo a reduction of about 8.5 percent. As you know, in our highway assistance programs, there is a substantial lag between the time projects are approved and the time that the States and contractors actually spend the funds. The

revised budget will reduce the total obligations for highway assistance from $8.85 billion in fiscal year 1980 to $7.70 billion in fiscal year 1981; the projected program level of $8.85 billion will be reduced to $8.50 billion.

These reductions will result in lowering outlays by about $400 million in fiscal year 1981, and in our judgment, the highway program can be sustained on a reasonable basis despite these reductions.

Depending on how States decide to use the remaining funds, we believe that we can continue making progress toward our goal of completing the Interstate System on schedule as is called for in the Surface Transportation Assistance Act of 1978.

The actual impact of these actions on the States will vary considerably depending on the availability of local matching funds and the rates at which the States have obligated Federal highway funds during the early months of the current fiscal year.

In recent weeks, the rate of obligation of highway funds has soared, perhaps in anticipation of Presidential action to restrain highway spending as a part of the anti-inflation program. In order to determine the amount of funds which need to be deferred, we temporarily suspended approval of Federal-aid highway projects. We are apportioning a limited amount of funds to the States and will be working with them to develop obligation plans for the balance of the highway funds available.

Highway funds can be applied to highest priority projects during the remainder of the fiscal year. Every effort will be made to prevent the lapsing of funds. Use of available resources for emergency relief projects will not be constrained by this limitation.

Mr. Chairman, let me turn to the second area of reduction—programs that we proposed last year as a part of the President's $16.5 billion transportation energy initiative. You recall that these new programs were contingent upon enactment of the windfall profits tax, which now awaits the President's signature. The major element of that initiative is our proposal to augment our grant programs for transit development and related programs for more efficient use of automobiles. The January budget included $1.3 billion as a fiscal year 1980 supplemental under this new program. In the current revisions, the fiscal year 1980 supplementals will be reduced to $675 million.

The amount available in fiscal year 1980 will include the funds in our original estimate for programs which we believe have the most rapid payoff in terms of energy savings.

The fuel economy assessment element of the transportation initiative will be deferred from 1981 to 1982, and our proposed cooperative auto research program will be reduced in fiscal year 1981, resulting in outlay savings of $6 million. And in addition, initiation of the auto use management portion of our transportation energy initiative will be deferred until fiscal year 1981, since authorizing legislation has not yet been enacted.

This will save $120 million in 1981 outlays. We continue to seek authorization of this program, however, in order to achieve major energy savings in the transportation sector.

Our January budget had included $200 million for UMTA's urban initiatives program in fiscal year 1981. This, I might add,

was again on the assumption that the energy package would be passed by Congress in the form of windfall profit taxes. This program will be trimmed back to $120 million, but we believe this will be sufficient to carry the program forward at an adequate level, stressing projects with highest potential.

The proposed reduction also includes a decrease in the fiscal year 1981 UMTA research and development program. We have not, however, reduced transit operating expenses.

Reductions have also been made in programs under the jurisdiction of other subcommittees. The Federal aid airport program obligation limit will be reduced by $50 million in 1981, and some lower priority projects unrelated to safety will be deferred until late in the fiscal year.

We will also save about $100 million in fiscal year 1981 by deferral of certain lower priority work and equipment acquisitions in the Federal Railroad Administration's Northeast corridor improvement project and in Amtrak's capital program.

Finally, throughout the Department we have made a range of smaller reductions in operating programs, including savings from the personnel freeze and tightening up of travel and other administrative expenses related to overhead.

Mr. Chairman, the President has taken bold and courageous action to slow the rate of inflation by proposing steps to balance the budget. I support this action, and I support the specific reductions we have made in the DOT budget.

I believe that our people will accept these restraints if the reductions are applied fairly, because they recognize the dangers of the current inflationary spiral.

These reductions we have discussed are reasonable and rational in light of the overriding need to control inflation, but they do not compromise the Department's basic objectives.

That concludes my prepared statement, Mr. Chairman, and I welcome any questions that you or other members of the committee may have.

I want to say how much we appreciate the opportunity to come back before you on a prompt basis to talk about the budget.

Mr. HOWARD. Thank you, Mr. Secretary. We appreciate your appearance here also.

Have you or your assistants or people in your Department discussed funding levels for fiscal 1982 and 1983 with the Office of Management and Budget, or could you tell us what levels are being considered—have you gotten into that at all?

Mr. GOLDSCHMIDT. I have not had conversation with them since the beginning of this exercise, and I would give Mr. Downey the opportunity to comment, to see whether or not any discussions have occurred between him and the budget staff.

Mr. DOWNEY. No, we have not had any discussions with them as yet about 1982 and 1983.

Mr. HOWARD. Now, Mr. Secretary, we have discussed the problems as we see them in the future in the income into the highway trust fund, and due to many of the efforts of Congress, and this committee, we have seen month by month a reduction—maybe somewhat minor, but certainly growing—in the income into the trust fund due to a lesser amount of gasoline being consumed. I

believe for the last 3 months of last year, it was about 8 percent less than the comparable months a year before, and that now in this year, it is up to 9 percent. So there is a problem down the road. And we tried to make that point with the Congress when they added to the problem by the extension of the exemption of gasohol through 1992.

Do you feel that these new numbers that are going to be used, that this program might undermine our efforts to display to the Congress the problem we are having, and will have, with the funding, and might put in jeopardy any programs we might want to put forward for assurance of adequate funding for the trust fund down the road?

Mr. GOLDSCHMIDT. Mr. Chairman, I am very happy you asked that question. Let me summarize my response this way. There are two audiences for this issue. One is the Budget Committee and the revenue-raising committees of this House and of the Senate; the other, of course, is the President's chief economic advisers in the Office of Management and Budget.

I have not discussed this matter on the Hill outside of our own committees of jurisdiction, but I have discussed it in administration with the President's economic advisers and those who I think need to understand the long term problem that the trust fund faces.

I was frankly very pleased at the level of recognition they had. With or without the activities to balance the budget, we had begun a discussion about the need to deal with the balancing of the trust fund over the next several years. Now, I do not think it is a matter of such urgency that we have to deal with today, but I share your concern not only with the gasohol exemption and the conservation problems that we face. But candidly, the States are facing the same set of problems in reduced auto travel and the increasing cost of maintenance because of the oil-based products that are being used to carry it out.

My judgment is today that there is no lack of sympathy or interest or recognition that with or without the level of today's budget cuts and the outlay reductions they represent, no matter what steps we take today, the real demand for these services is somewhat higher. We recognize that, and I think we are deferring those demands until a later day in the name of a higher goal, which is balancing the budget.

But I still feel as strongly as ever that we have a need to continue to reexamine the Federal role in the highway program. The maintenance demands on our highway assets in this country, the interstate program and the Federal aid system, are very high. The uncompleted segments of interstate still need to be finished. And this year, for the first time, as the chairman knows, we took in less revenue than we spent in a normal year. So I guess I would say to you that I am as committed as I was when we first talked about this subject before we knew we would have to deal with balancing the budget, that we have got to adjust the amount of revenue coming in upward.

I do not believe over the long run we can maintain that highway asset by reducing the amount of activity in the trust fund.

Mr. HOWARD. And of course, also, aside from what these cuts will do, we also have the problem of the great increase in inflation, so

that even without cuts, we will be able to do less as far as projects throughout the country are concerned.

Mr. GOLDSCHMIDT. That is correct.

Mr. HOWARD. It has to be added into this thinking of the cuts, because it is going to be a major reduction.

The President also has expressed his intention to seek legislation to replace the $4.62 per barrel import fee with a 10-cent increase in the Federal tax on gasoline at the pump. The President has stated that revenues from these new taxes will be transferred to the highway trust fund in amounts not less than the equivalent of the revenues from a tax of 4 cents a gallon, which will merely put us in the same position we are in now.

Has there been any thought of being able to put a higher amount of that tax, should it come, into the highway trust fund, or possibly utilizing that entire tax, should it come, to establish what many people have been talking about for several years, a total transportation trust fund?

Mr. GOLDSCHMIDT. Well, I cannot speak to the latter issue with any intelligence with regard to what may have been considered elsewhere.

I am prepared to say not only what I said before, but to say to you that I have a fairly regularly advocated consideration of steps being taken as you describe. and that is not during the period in which it is in as a fee, which would make it a temporary tax, but at such time as it would be continued at a level that was set at a fee by legislative action of Congress.

I have advocated very strongly that this trust fund problem be addressed, and that it be addressed not only as a response to the gasohol problem, but in light of the longer term problem of revenues declining because of better fuel economy of automobiles and the increased cost of maintenance on the system as we add miles.

We have proposed no numbers that I am aware of to the administration. I did provide from both Mr. Downey and from Mr. Hassell's offices, estimates of the impacts of the gasohol exemption over the next 5- to 10-year period as best we could read them, during the congressional discussion on that problem, and the best estimates we could give about the slippage in the fund's ability to finance its responsibilities. And I am not sure that I could tell you what level of tax that would translate to—the staff of the Department may be able to give it to you—but my point was to give some sense that that money ought not to be diverted away from meeting its obligations here, and if there were additional resources to argue about either to do what you are describing or other things, then that would be a useful debate. But I thought they ought to look first to a problem that they had to solve anyway and had recognized earlier.

Mr. HOWARD. You mentioned some effort in helping States to not lapse funds. A lot of States are just getting their own State effort put together now, and there may be some States which will be seeking funds this year and next year to use up what is the fourth year of their authorized amount of spending. Now, is there anything you can do better than just make an effort, because of course, if we are asking to defer this spending and not spend it this year or next year, I do not imagine that we would want to put any States

in the position where they would lose money forever, or have it lapse. There has been no one to my knowledge that has ever lapsed highway funds in the country, other than the District of Columbia, I think.

Would there be any assurance we could have that no funds were going to lapse?

Mr. GOLDSCHMIDT. Do you get a statue when you do that, if you manage to lapse funds?

Let me say that I think the approach we are going to take with the States themselves—and Mr. Hassell should elaborate on this—is one that I hope will provide us with a fair amount of individual attention to each State's circumstances and their plan—that is, how they would see themselves proceeding.

John, perhaps you can comment on that, and more importantly, on how we deal with the peculiar lapse problems that may arise.

Mr. HASSELL. The first objective that we considered in looking at how to deal with the States was to allow them the maximum amount of flexibility as was traditional under the program, to develop their own projects and set their own priorities.

The second priority was to see that no State was put in the position of being forced by the reductions to lapse funds other than those that they had already indicated to us that they had planned to lapse. And we have developed a procedure that will allow every State to as a minimum cover their lapsing balances except for those that they had already indicated that they were not going to be able to obligate. Unless some State makes a decision beyond what we are able to fund by their own choice of priorities, no State will be put in the position of lapsing funds if they had not already indicated that they intended to.

Mr. HOWARD. I see. Now, should these cuts come in—and it looks as though there are going to be substantial cuts, whether it is the House Budget Committee or the administration's budget that is going to be adopted by the Congress—I imagine that your office, here and around the country, is going to have much less to do; you are going to have fewer projects and such things.

Do you anticipate in asking the States to take somewhere between 8 and 10 percent of a cut that your operation itself will be able to save 8 to 10 percent?

Mr. GOLDSCHMIDT. Are we talking about 8 to 10 percent in people? Was that the reference?

Mr. HOWARD. In dollars; we are just talking about dollars here. Will you need that much less to operate?

Mr. GOLDSCHMIDT. Well, first of all, by the cuts in the capital projects, we are talking about cuts to the States that in many cases will not result in reductions in their personnel either. I will let John and Mort and Lillian comment about the impacts that it will have on the respective programs, but in many cases, the design impacts, the engineering work, and so on that would be done would not necessarily be done in-house.

We have been confronted, I think, pretty clearly by the mayors, the county chairmen, and the Governors in this country saying that if these kinds of cuts are going to occur at large in the Federal budget—and they are talking about State revenue-sharing and other activities—we would like to see some equity in that, and I

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think our budget reflects that. Mr. Downey can outline for you the kinds of reductions that are represented in our personnel budget, but we are at this point under the imposition of a 2-for-1 freeze—that is, for every two who leave, we could bring one back. That is on for a minimum of 90 days, and it could extend beyond that until the President's objectives are reached governmentwide.

I would be interested to see, in all candor, whether it is us or the locals who have more reductions before this process is over.

My guess is that we are taking as affirmative of steps as any State and local governments will. I am not so sure that I can identify the impacts vis-a-vis only our program and local government, because the methods by which they finance their overhead are very different.

Mr. HOWARD. I see. Well, what I meant was simply do you think it might take 8 to 10 percent fewer dollars of your own expenditures to spend around the country 8 to 10 percent fewer dollars?

Mr. GOLDSCHMIDT. For the whole Department? I think not. I think you will see in the cuts in Coast Guard that many of the cuts they are going to take are going to be in fuel, by grounding planes and doing a little bit less water safety activities, and they will employ those personnel elsewhere.

I think it is important that we take each case as we find it.

Mr. HOWARD. Before someone attacks us, I would like to state that this committee has already begun that kind of reduction in last year, returning to the Congress from allowances of this committee over $1 million, which is probably that high a percent or a higher percent.

So we hope that that can be done across the board and that you will need less money to spend less money.

The gentleman from Minnesota.

Mr. HAGEDORN. Thank you, Mr. Chairman.

Mr. Secretary, there have been some suggestions that your department will allocate the obligational ceiling to the States as one way to deal with the reduction.

Do you currently possess the legal authority to allocate that ceiling?

Mr. HASSELL. The States, in looking at their priorities, were amongst those who suggested to us that we use an allocation procedure. Court findings in past cases have indicated that Federal departments should find a rational and consistent process that treats all of the recipients of an aid program that does have a cut equally and across the board, in a manner that does not overtly discriminate between the recipients.

With that kind of legal precedent and background, we are looking at the use of an allocation formula which does not unduly bias any State, that does protect any State which has lapsing funds, and does permit the State to forward its own priorities in the program rather than following some predetermined ones.

Mr. GOLDSCHMIDT. I think your answer is yes.

Mr. HAGEDORN. You do feel you have the legal authority. Have you considered a formula at this early point in time, how you might proceed to do that, other than your general objectives that you just stated?

Mr. HASSELL. We have been running out about five different formulas. We have settled pretty well onto one. We are still examining it, because there are about five States that have an anomaly, either in their balance or their lapsing situation, that would require administrative adjustment. And we are looking at maybe a refinement of the formula which will improve the distribution or just using an administrative adjustment.

Mr. HAGEDORN. Would it be your intent, then, to perhaps present that to this committee in order that the Congress would have some input, since you are embarking onto a new, uncharted course?

Mr. GOLDSCHMIDT. We certainly would not have any problem with the committee having a chance to look at it. Time is not our friend in this process, nor is it yours in the normal circumstance, but we are open to your advice and your suggestions.

Mr. HAGEDORN. All right. Mr. Secretary, I did not quite understand your position on this new, 10-cent-per-gallon tax that President Carter is hoping to eventually employ. Is it your intent to seek a portion of that to be put into the highway trust fund?

Mr. GOLDSCHMIDT. At the time which Congress will have this matter under consideration to make it a permanent tax—that is, not a fee, to make it a tax—it would be my position within the administration to seek the authority to do that. I have already indicated that, and there is some interest in it. It was obviously not the matter that was under consideration at the time we were trying to discuss budget balancing, but I think the answer, if I understand your question, is that when Congress has this matter in front of it, I hope I will have the authority at that time to return with the President's blessing, to have part of that resource dedicated to this fund.

I have never had a conversation with him personally about it, but I think we have a very strong case to make.

Mr. HAGEDORN. What part of that 10 cents per gallon do you think would be reasonable and prudent to put into the highway trust fund to expand on our depleting resources?

Mr. GOLDSCHMIDT. Well, as I said to Congressman Howard when he raised this matter, at the time the gasohol amendment was before Congress, we did some fairly quick estimates on the impact of gasohol, and in addition to that, on the impact on the trust fund of increased fuel efficiency and reduced miles driven. I do not recall that we translated that into 1 cent per gallon or any other particular amount as a permanent proposal.

But it is more than one—maybe more than two or three—I just do not know. And I would be happy, if you are interested, to try to provide you within a few weeks of our estimates about that. Part of my reluctance to pick a number is that we also have suggested to the Office of Management and Budget and to others that this ought to be looked at in light of Congress' need to be examining the future of the highway trust fund in a broader way, and there may be additional opportunities to review this matter. And I say that really seriously. For example, we have not taken in the bridge programs in this country, as a really major new catchup effort. And to set the tax only to meet the current level of responsibility might not be a really good idea. Those things have a way of evolving so that once you pick a number, all of a sudden that is the

number, and you come tomorrow with a logical case to make, and they say, "I am sorry. We have talked about this before."

So we have not been pushing a number, and we have been saying, "We should talk about the restructuring of the highway trust fund and the kinds of issues that Congress will be considering, and then we ought to match that resource to that responsibility."

Mr. HAGEDORN. It seems to me it might improve your position considerably if we knew where those revenues would be dedicated, rather than into some general, unspecified portion of the general revenue fund, as they would exist under the current authority that the President exercised——

Mr. GOLDSCHMIDT. Well, I think the ability of the President to dedicate those funds is a matter that would be best left to legal counsel, and I have not examined it.

I think we are in a rather unique situation—and in my own view, by the way, quite favorable—that once the judgment was made not to commit those dollars to balance the budget that with history running on the side of the dedicated use for those kinds of funds in the past, at the time Congress acts, I think we have a running shot, at least, at the issue.

Now, again, I am here today without any blessing from the administration to say that is where they would end up at a future discussion, but I do not have any apology for saying it. We have been fighting this battle for some time. This committee has been on this turf before—unsuccessfully, but I think courageously—to try to get the resources that the fund needed. And the facts are the facts. I think the fund will need additional moneys, and that is a logical place from which they ought to come.

Mr. HAGEDORN. I would think, then, Mr. Secretary, that the President would want to give some pretty strong indication and not deal just in a general area, about were that money is going to go.

Mr. GOLDSCHMIDT. I will certainly pass on your thoughts.

Mr. HOWARD. The time of the gentleman has expired.

The gentleman from Pennsylvania, Mr Edgar.

Mr. EDGAR. Thank you, Mr. Chairman.

I want to first congratulate the Secretary for bringing his son. I see he has stepped out for a moment. I have my son hiding behind me here, and I think it is a good precedent to start. I think all of us ought to take that opportunity.

I have just a couple questions this morning. I guess maybe I am not able to understand your figures as well as I should, and I would like to ask you some very simple questions relating to your testimony and to your figures.

The first is, how do these figures reflect the priorities of the Department of Transportation?

Mr. GOLDSCHMIDT. Well, as you know, the priorities of the Department are really, in a sense, first, the priorities of a set of individual activities, the Coast Guard matched up with the Federal railroad system, and so on.

The first thing we did was to cut the lowest priority of each of them. I would be candid to say to you that in some places, we really found room for no cuts. And in the beginning of my state-

ment, I said that for safety reasons, we just could not conclude that we could cut safety programs.

In the Federal aviation budget, there is $100 million, in fact, added in an area of safety, and there will be some who will argue that it is not enough, but in light of the cuts elsewhere, at least I think there is a statement there that it is important.

The second issue which we identified was energy. There was a real attempt here to try to go back and look at the barrel savings targets that had been set in the 10-year energy conservation program and to insure that those were dealt with.

For example, in the $675 million figure which we have provided you today for the Urban Mass Transit Administration, we hope that we will be back with a specific budget that will include some resources for ridesharing. There is not a tremendous amount of time left in this fiscal year, but that program needs to get rolling, and it is very much again a part of that barrel savings target that we had over the decade.

So the resources that are in this budget are an attempt to attack very directly at the targets that we think will get us the most additional ridership the fastest on various modes of travel, including ridesharing, vanpooling, and carpooling. And while there is not a detailed budget here to talk about that, as we will need to as we go along, that was the second factor, I think, in terms of Department priorities.

Mr. EDGAR. I notice that there are some cuts particularly in section 3 for 1980. Is that accurate—for the UMTA section 3?

Mr. GOLDSCHMIDT. Yes. I think that is the matter that continues to confuse more than almost any. We had originally expected to submit a larger supplemental. What has happened is that the existing 1980 budget has not been cut, and you are receiving a somewhat reduced supplemental. It was, I think, $1.3 billion, including auto management, which would not be transit-related, not UMTA-related, and it is now at about $675 million. So that the reduction for 1980 is in the supplemental.

Mr. EDGAR. The reduction in 1980 is in the supplemental.

We had heard some talk when the windfall profits tax was being developed of additional funds, perhaps as much as $1 billion, in public transit over the next 10 years, and that commitment was made in light of some of the pressures from the energy dilemma that we face.

Is the administration still committed to that additional $1 billion a year out of windfall profits?

Mr. GOLDSCHMIDT. Yes. Actually, you will recall that the program was originally about $16.2 or $16.3 billion that included transit and auto management, the auto research program, and others. Of that amount, transit comprised the lion's share—I think it was $13 billion—and it is our expectation that the $53 billion decade for transit that was described by the President, which included the resources from windfall profits, would still be committed to, that we would pick up those additional dollars in coming years.

Mr. EDGAR. Are there any cuts in the Federal aid highway program on bridge renovation and reconstruction?

Mr. HASSELL. No. There are no specific cuts in any of the bridge rehabilitation programs. Now, some of the States may elect to defer

some of the improvements that they had originally proposed in that area in order to use the obligation ceiling at another program area, but those funds will still be available for a future year, if they do elect to do so.

Mr. EDGAR. One final question, and it gets back to the issue of public transit. I guess I am still a little bit confused about the amount of dollars that may be taken out of public transit for 1980, in relationship to the amount of dollars that I see being taken out of the highway program.

It has been alleged that the highway program is going to suffer more severe cuts than the transit budget. I am not sure I see that parallel in the numbers that we are talking about, because if you doubled the funds that we are talking about for public transit, and subtracted an equal amount from that, it appears to me that you would in fact be cutting a higher percentage out of public transit than you are cutting out of highway programs. Is that correct?

Mr. GOLDSCHMIDT. Well, I think I understand what you have said, and I think the answer is yes. We have a Federal aid highway cut of about 8.5 percent; the transit and energy cut is about 9.8 percent. The argument, of course, is whether or not the moneys that were pledged from windfall from the beginning of that discussion all the way to the end can be counted as a resource that was existing currently in the budget.

Obviously, the transit community, which worked very hard in support of the tax, and expected those revenues to be committed to the purpose of transit, believes that once those revenues are in the budget, then there is some responsibility to fund the programs. That is in fact the matter on which the President agreed, and the additional funds for transit which are in the supplemental represent the fact that there is a substantial amount of additional revenue that has been placed in the Federal budget.

I think it might be worth saying that amongst the list of ways to balance this budget, there was one which we opposed very strongly, and it was an argument that anything that had not been sent up to the Hill for you folks to look at ought to just be deferred and postponed. That included targeted countercyclical, welfare reform, economic development—I do not know what all was on the list. Our supplemental for 1980 for transit was on the list. We argued that if you do it that way—that is, first you just count all of those as a help to balance the budget—then you come into the budget and "equitably"—and I put that in quotes—apportion cuts throughout the Federal budget, our people are going to get hit twice.

We thought—and I think we were persuasive in this regard—that we ought to keep those energy conservation targets in mind for ride-sharing and for transit, that the resources should be put into the budget, and then they ought to come in and take out some kind of an equitable cut. That is in fact what has happened. The additional money from windfall has been committed in the budget, and then the cut occurred.

Mr. HOWARD. The time of the gentleman has expired.

The Chair would like to announce that there is a vote occurring on the House floor, and the subcommittee will stand in recess for approximately 15 minutes.

[Short recess.]

Mr. HOWARD. The subcommittee will reconvene.

The Chair appreciates your patience and recognizes the gentleman from Pennsylvania, Mr. Atkinson.

Mr. ATKINSON. Thank you, Mr. Chairman.

Mr. Secretary, I think you stated earlier—or somebody from the panel—that those States which had a backlog would be penalized. I am just curious about the dollar figures involved.

According to the Pittsburgh Post Gazette, the 1980 ceiling on Federal highway obligations went from $8.8 billion to $7.25 billion. And if that is the case, and with the present allocation of some $5.5 billion, that would remain about $2 billion.

I am just wondering, if that figure is correct, Mr. Secretary, how much of that could be allocated to the States?

Mr. GOLDSCHMIDT. I think $2 billion is an accurate number.

Mr. ATKINSON. $2 billion is an accurate figure?

Mr. GOLDSCHMIDT. Yes.

Mr. ATKINSON. Do you have a formula, or do you have figures there—and then I will speak in a parochial way about the State of Pennsylvania, where I come from—do you know what that would amount to in dollars to that State, of that $2 billion?

Mr. GOLDSCHMIDT. No, I do not. I am going to turn over to Mr. Hassell in a minute, and I do not think he does either, State by State.

But let me just clarify—I do not know that it is a correction to what you said—I do not think we have said that nobody will get hurt. Obviously, if we cut back, somebody is going to feel some pain. What we are saying is we are going to make the best effort we can to make sure the formula is fair, and with respect specifically to this problem of lapsed funds and other peculiar situations, we will try to incorporate those either by formula or administrative discretion.

Now, perhaps John has more specific details about the State of Pennsylvania.

Mr. HASSELL. We do not yet have a finalized distribution by State, which is the type of information that we will need to talk directly to your specific question.

Pennsylvania, though, is one of the States with larger lapsing balances, and we will administratively assure that no State is put in a position of lapsing funds that they had not already indicated to us that they had intentions of lapsing.

Some of the States have large balances of interstate funds that they had not planned to utilize, and we are not going to cover those, but all other funds, yes.

Mr. ATKINSON. And if Pennsylvania had been the leading State—some $800 million, I think, in the highway trust fund that they had not been able to use simply because they did not have the match money—I think they are one of the States who has had a lapse situation because of that. Since then, there has been another tax effort where they have had a new gas tax of 2 cents, and already, I think they have enough money to match up to some $650 million of Federal funds.

Based on some general figures that we have here, Pennsylvania's allocation would be somewhere around $150 million. If that is the case, and as you stated, no one is going to get seriously hurt by

that if you do your best that they do not get hurt, but how can you even come close to meeting the needs of some of these States who had a prior problem and are now trying to resolve it, and find themselves at this time, even though a lot of planning has been done, in this immediate cutting back of the available funds? To my way of thinking, it is going to be disaster for Pennsylvania.

Mr. HASSELL. We have the advantage of an obligation estimate from each State, made early in February, and we have used that as a basis for analyzing the various options we have been looking at for their impact on the States.

This allows us to look at each State in pretty great detail, because they have given us a very detailed forecast of what they expect. We have looked at those in evaluating the options, and I think we will be able to come forward with an approach that will not unduly penalize any State. And I would expect because of our detailed State-by-State analysis, that a State such as Pennsylvania which has recently improved its State match situation, will find itself, both because of its obligations earlier in the year and the availability of the funds, not to be adversely impacted more than any other State.

Yes, there will have to be some reordering of priorities, but I think Pennsylvania in particular will have the flexibility to do that and can do so without an abnormally large impact compared to other States.

Mr. ATKINSON. So I am led to believe, then, by our conversation that those States who have had problems in the past will be given extra consideration—I am not saying preferential treatment, but I am simply saying that when funds are lapsed, they go back into the trust fund and they are distributed to other States—because of their inability to meet it before, that will be a consideration now, you are saying?

Mr. HASSELL. One of the considerations in the distribution is to assure, at least administratively, that no State is put in the position of lapsing funds that had not previously been planned on.

Mr. ATKINSON. Do you take into consideration the numbers of motor vehicles in the various States, and the geography of the States, the weather impact on the roads and highways? Are all of these things considered when you make your allocation?

Mr. HASSELL. They are indirectly. Many of those are factors in the distribution of Federal aid apportionments, and therefore, they are built into the ceilings that we will be providing on a State-by-State basis.

Mr. ATKINSON. This money that comes from, say, a State like Pennsylvania, where there is so many cents to a dollar tax on gasoline, and so much on batteries and tires and what-have-you, you are saying, then, that in fact, this swells the trust fund, that this money, then, would be allocated directly to the State that puts it into the fund, as opposed to some of the other States who do not do as much?

Mr. HASSELL. Not directly. The factors, though, that generate those revenues, such as the presence of vehicles, the use of the vehicles, are things that provide funding into the trust fund.

Likewise, the formulas that govern the distribution of funds include such things as miles of highway and population. So those

factors, although there is no direct relationship, there is a very close indirect relationship, and therefore, those factors are implicitly taken into account.

Mr. HOWARD. The time of the gentleman has expired.

The gentleman from New Hampshire, Mr. Cleveland.

Mr. CLEVELAND. Thank you, Mr. Chairman.

Mr. Secretary, I notice that in your prepared statement you speak of "temporarily suspending" approval of Federal aid highway projects. I am just wondering if you feel that you have the statutory authority to do that under the 1974 Budget Act. You use the words "temporarily suspend". But my memory goes back to some of the raging debates in the seventies, and although you do use the word, "suspend", it looks and smells a little bit to me like a temporary "impoundment".

I am just wondering if you have run that by your legal people down there, and if you have any legal opinion as to whether funds such as these can be temporarily impounded or suspended, whatever word you choose to use.

Mr. GOLDSCHMIDT. Let me say that there is no belief on our part or desire on our part to exercise the broad authority of impoundment.

I think it is possible, temporarily or momentarily, to stop the machinery long enough to find out what is in it, and that is about what we believe it amounts to—that is, literally so we could get a freeze-frame picture and describe it back to you for purposes of sending a deferral message in. We believe we do not have the authority beyond that. So I think we should be very clear. We do not want to exercise an authority that will take us any more than long enough to tell you what is there, which continues to be the question.

I would like Mr. Downey maybe to respond specifically to your question——

Mr. CLEVELAND. Well, I think you have been quite specific enough. And to pursue the matter just a little bit and for guidance for some of the States who will be concerned, you intend this "suspension" to be very temporary, then, and as such, it is so temporary that you could not characterize it as being an impoundment. But can I be so bold as to suggest that if it goes for 6 or 7 or 8 weeks, it might be maturing into an impoundment?

Mr. GOLDSCHMIDT. Yes, I think you could say that.

Mr. CLEVELAND. And then, at that time, the States that felt abused could have their legal recourse.

Now, the other thing. As I understand it, Mr. Secretary, you were told by somebody that you had to get about a $1.5 billion slowdown out of the Department of Transportation.

Mr. GOLDSCHMIDT. In terms of our assignment of a budget reduction? I suppose I really ought to have Mort Downey respond to the target. We were given a target. I think it was somewhat larger, in fact, than we took.

Mr. CLEVELAND. What I am trying to do is to find out what happened; I am curious.

Mr. GOLDSCHMIDT. The answer is yes, we were given a target, but I think it was bigger than——

Mr. CLEVELAND. Who gave you the target?

Mr. DOWNEY. Mr. Cleveland, we were given an outlay reduction target by the Office of Management and Budget. We were asked to reduce $50 million in administrative expenses, and including new initiatives, a range of $1 billion to $1.5 billion in program cuts. We had to convert those into which programs and then how much of a program slowdown would be required to get those savings.

Mr. CLEVELAND. OK. All I am trying to do is get a handle on what happened. After you got your target from OMB, of course, I am sure you had some in-house conferences. And then you, in the Department of Transportation, looked over your various programs and decided, "Well, we can slow down here," and "This involves safety," and "we do not want to slow down there." But these decisions were all made in-house.

Mr. GOLDSCHMIDT. We submitted our proposals to the Office of Management and Budget for discussion. They obviously tested each one of them to see either whether there was a less onerous option, because some of them are not the thrillers, as you well know, or whether there was not something else that they had seen in the last budget that they thought was a sounder cut. We had a fairly extensive discussion on those, but I would say on balance what we proposed is what it is that you have before you today.

Mr. CLEVELAND. Did you have time to discuss these matters with any of your constituent organizations, for example, the highway officials and people like that?

Mr. GOLDSCHMIDT. I did not personally, but the organization did. We made some effort to sit down and visit with people about the problem we were facing and the way in which we could go about it. I think Mr. Downey could describe that for you.

Mr. DOWNEY. We had some consultations with various organizations in transportation, highways as well as transit and others. In fact, the final highway proposal that is reflected in the President's revisions will be the subject of a deferral message that you will receive shortly, and is less of a reduction than we had originally contemplated.

Mr. CLEVELAND. But would it be fair for me to say that the brunt of the reductions have clearly been borne by the highway program?

Mr. GOLDSCHMIDT. I think not, no. I think the percentages which we went over before—about 8.5 percent for highways, about 9.3 in Coast Guard capital, and 9.8 in UMTA—the argument in UMTA, of course, is whether you can count something that was assumed into the energy initiative that the President had just signed—but as the President organized the budget, in effect, he counted the revenue from windfall back into an assignment of $1.3 billion that would have come to transportation-related activities, principally to transit, and then recut that.

Mr. CLEVELAND. Last year, the people from your Department—this was before you were there, Mr. Secretary—came up and asked us to do everything we could to abolish the categorical grant programs and try to have one unified transfer to the States for the general purpose of highways. I suppose in retrospect, perhaps if we had done that, then you would not have had the problem of selecting these cuts or reductions in the categorical grant system. Rather it would have just been easier to say a flat, across-the-board cut, which the States would then have to live with.

Mr. GOLDSCHMIDT. They would set their own priorities, yes.

Mr. CLEVELAND. That is all the questions.

Mr. HOWARD. The time of the gentleman has expired.

The Chair states there is a vote occurring on the House floor, and the subcommittee will stand in recess until we return.

[Short recess.]

Mr. HOWARD. The subcommittee will come to order.

The Chair now recognizes the gentleman from California, Mr. Anderson.

Mr. ANDERSON. Thank you, Mr. Chairman.

Mr. Secretary, let me first begin by congratulating you and your Department for recognizing the many benefits that will accrue from the commitment of funding for the Long Beach Transit Mall. I understand that the urban initiatives program will be cut somewhat this year, and so I am especially pleased that the Department was so cooperative with the city in approving their proposal in a timely fashion and committing all the needed funds for such a worthy cause. I want to thank you.

Mr. GOLDSCHMIDT. Thank you, Mr. Chairman. It is an excellent project, and we hope you will send a note over to Congressman Duncan with the kind of feelings you have about this program. We discuss it with him regularly.

Mr. ANDERSON. I will, I will.

I have a question concerning the obligation of highway funds through the remainder of the year. We are going to see a reduction in the amount available. When the present freeze is lifted, what are you going to do to prevent a first to the trough mentality from taking hold?

California usually comes in with their highway proposals quite late in the year, and I know we would like some assurance that there will still be highway moneys left when they do come in later this year.

Mr. GOLDSCHMIDT. I think it is a marvelous occurrence that it appears that both we and the States—and I gather they have been surveyed—by a substantial majority think the foot race to the trough is a bad idea. It is a disruption of sound highway planning, and it is clearly, I think, likely to result in more expensive rather than better thought-out projects.

Mr. HOWARD. If the gentleman would yield, we do have a survey that was taken just a few days ago of all the State commissioners of transportation, asking them whether they preferred a quarterly, first-come, first-served basis, or a State-by-State obligation ceiling, and from the responses we got, there were 9 States who wanted first-come, first-served, and 39 which would rather have it reserved to take care of the States that come in a little bit later.

Mr. GOLDSCHMIDT. I would like to have John Hassell respond in some detail to this, but I think that the obligation of our Department is to be a partner with the State in a time of very difficult adjustment. We are going to ask them for their plan as to how they want to do it, with the caveats that Mr. Hassell pointed out earlier, to cover lapsed funds and other peculiar circumstances. But I might also say on my part, I intend to try to pay attention to whether they are going to continue their maintenance obligation as it is assigned to them under the law, and to see whether or not the

plan itself is something we can make work, or if they can change it a little, so that we can help them more easily.

So I guess, first, we are not going to have a foot race unless somebody tells us to the contrary, and secondly, I hope there will be a real sense of partnership in a period of difficult change.

Mr. ANDERSON. Thank you.

Apparently, DOT will be deferring the delivery of Amtrak railcars until 1982. The first question, were any of these cars scheduled for use in California; and the second part of the question is how does this deferral jibe with what some have described as the shoddy condition of so many of the cars in the country, and current efforts to attract greater ridership through provision of better service and better equipment?

DOT has proposed to defer outlays for Amtrak procurements in the fiscal year 1981 budget, however, this deferral will have no appreciable effect on the delivery of the Amtrak cars which would not have been delivered, in any case, until fiscal year 1982.

As to which if any of the cars would be used in California, as the Congressman knows, Amtrak equipment is not permanently assigned to any single route or State. So it is impossible to state whether any of the cars would have been used in California.

Mr. ANDERSON. In answering one of my questions last week, you said that you could not recommend that the President sign the Rock Island Railroad bill if it contained an emerging corridors provision such as that in H.R. 1637.

Of course yesterday, the House voted 266 to 84 to retain the emerging corridors; quite an impressive margin. The House obviously wants the emerging corridors.

Let me ask you again, Mr. Secretary, would you recommend approval or veto of the Rock Island bill if the emerging corridors are retained in conference?

Mr. GOLDSCHMIDT. Let me say I have not read the bill which was passed, and so I cannot comment on it specifically.

I said previously that the administration very strongly supported the Rock Island legislation coming from the House and the Senate as soon as possible, and in addition to that, we supported the Northeast corridor legislation and believed that it should pass.

The original draft legislation included over $50 million for engineering, and there was some debate about whether or not the identification of a number of $850 million or something in that range was in fact an authorization or a proposal to have an authorization later, and I do not care to comment on that because I did not go in and read the bill language.

My inclination is probably the same, but I would not want to say too much more until I actually read the bill. First of all, I would like to give Congressman Florio credit for careful thought on this subject; he did not bring it in lightly, and I want to make sure that once this product has been produced, that I read it.

But I think my comment would stand, that at a time when we are trying to balance the budget, that $50 million additional will be perceived by those in the Budget Office as $50 million that will have to come out of the hide of our Department or someone's, someplace, and that is not going to happen lightly or willingly.

Mr. ANDERSON. I want to bring to your attention that the House was pretty much in favor of the emerging corridors, and now I will drop it right there.

Mr. Secretary, I am told that yesterday you said that the transit budget cuts would not affect cities like Philadelphia, but will affect new starts. And of course, I am somewhat concerned with the Wilshire corridor. I understand that it is on "hold" in your office right now.

What is the status of the environmental document for the proposed Wilshire line in southern California.

Mr. GOLDSCHMIDT. I will ask Lillian Liburdi to respond to that.

Ms. LIBURDI. I would expect that based on the final reviews that the staff is going forward with, the document will probably be forwarded this week to the Council on Environmental Quality for the 30-day review period.

Mr. ANDERSON. Well, when it clears that present review that you are now talking about, will that assure the delivery of preliminary engineering money, or will it then require further review of some kind?

Mr. GOLDSCHMIDT. I would say it does not assure it, and let me say why. The $675 million figure, which is just a gross figure, has not been organized by categories, which still remains to be done. It would depend on the budget which we can get agreement on with all of the parties—the Office of Management and Budget, this committee, and appropriations.

We are very eager not to see that process slowed down, but on the other hand, I could not tell you today that I know that we can go forward.

The comment I made, just for the record, was not about the potential of making engineering grants, because we have made it clear that we will be willing to make cost-confidence engineering grants to communities to let them proceed to get us the detailed numbers that could let decisions get made, but in fact, that if there is a system that is sort of farther along than that, I did not think the amount of money we had here would allow us to make grants to build one.

So I want to make it clear that the definition was a somewhat broader definition, and I am not sure we have anybody ready who is at the stage of construction as a new start, but it is clear that for the resources we are talking about here, that we are not in a position to build a new system. But I am not saying we would not be in a position to do the engineering. I think that is a question of how Congress organizes the funds.

Mr. ANDERSON. So once we get past the environmental review which is currently in process, and probably will clear fairly shortly, then we will probably expect another review of some kind by your Department, is that it, before——

Mr. GOLDSCHMIDT. Well, there will be a review by our Department—I will let Lillian comment on the quality of that proposal; I have not read it, and I have not talked to Ted Lutz or to her about it—but let me just assume that it is perfect. If it is perfect, it will still require us to know what we are going to be allowed to do with the moneys that are there.

Other than that, I do not think there is going to be a great long dialog. We are fairly familiar with the project and what it proposes to do.

Mr. ANDERSON. Thank you, Mr. Chairman.

Mr. HOWARD. The time of the gentleman has expired.

The Chair would like to state that we are now entering the second part of another vote. We just recently had a vote on a rule on a noncontroversial bill, and now there is a vote on having the House go into the Committee of the Whole House for a discussion of that bill. So apparently, some people are playing games parliamentarily in the House. We are not going to ask you to waste your time here any later this morning.

We will ask our Members who may have questions about your statement to submit them to you in writing and hope we can get them back very soon.

Mr. GOLDSCHMIDT. Thank you very much, Mr. Chairman.

Mr. MINETA. Mr. Chairman, could I ask one question?

Mr. HOWARD. We will suspend the adjournment and have the gentleman from California take the chair, and he may continue these hearings as long as he wants to ask questions, at which time we will adjourn.

[Whereupon, Mr. Mineta assumed the Chair.]

Mr. MINETA. Mr. Secretary, I would like to refer to your prepared statement, where you state, "In order to determine the amount of funds which need to be deferred, we temporarily suspended approval of Federal aid highway projects."

Now, is that a freeze on just new obligations or on awards, as well?

Mr. GOLDSCHMIDT. Mr. Hassell?

Mr. HASSELL. That only involves new obligations. Typically, a State will have already obligated funds before they go through the bid process, and therefore, it would not affect those projects that were already obligated.

Mr. MINETA. So in the case of a project where bids had been sought in February, that project is not affected by this freeze; is that correct?

Mr. HASSELL. Unless there is some very unusual circumstance surrounding that project in particular. For example, sometimes a State chooses to deobligate and rebid. My understanding about the project I think you are concerned with, is that that was not the case.

Mr. MINETA. Now, your testimony says in effect, Mr. Secretary, that the purpose of the freeze is to determine how much funding was in the pipeline.

When will you know how much that is as far as the pipeline, and when will the deferral message be sent up here, and when will the freeze be lifted?

Mr. GOLDSCHMIDT. I will let Mr. Hassell respond in more detail to that. We expect a deferral will be sent up next week.

John?

Mr. HASSELL. We completed the budgetary process, the accounting necessary to clear something over 600 items and transactions that were in the pipeline on March 14 on Thursday of last week, and as of Friday, we had the final numbers available to us to work

with. We had been receiving, of course, updates daily during that period, but it took about 2 weeks to complete the accounting process.

Mr. MINETA. What about the case of a project on which a State was scheduled to advertise for bids in mid-April; will they be able to go ahead, or will they be delayed?

Mr. HASSELL. It depends upon the requirements of the States. Some States have either regulations or statutory requirements that specify minimum advertising periods before they can actually open bids. Those States that had a period that exceeds roughly 2 weeks will probably have some delay in the actual letting of some projects.

By using the 14th of March for the cutoff date, the majority of the States, though, had already made their advertisements for the month of April because they had already gotten them approved. We are aware of a couple of States that got caught in that week, just there in the middle of March, but those were only a few circumstances.

Mid-April lettings may be disrupted slightly in some States.

Mr. MINETA. The Director of the California Department of Transportation stated, and I quote, "When the freeze is lifted, every project in California is going to be competing not only with other State projects, but with every other project in every other State for a reduced level of Federal funding."

Mr. GOLDSCHMIDT. That is not accurate.

Mr. MINETA. Would you characterize that as a correct statement?

Mr. GOLDSCHMIDT. No; I think that is not accurate. If we are going to do what it is that we have suggested, and if we have an agreement to do it that way—which is to develop a formula or a method by which we can provide an apportionment to States with, I think now, a planned 25-percent holdback on those funds—we would expect them to submit a plan.

I think it is a serious mistake for us to try to dictate what goes on in those States and how they set their priorities, and I think the poll that was announced today is certainly an encouragement that they agree.

There is certainly going to be some competition within the States, and clearly, the States are going to be in a situation in which the factors on which they decide will not be the same—weather conditions, and a whole set of local budget laws, and so on. But we are cutting back the amount of resources, so there is going to be a squeeze.

And I just want to repeat again that the issue I am concerned about personally is that we do not see the Federal aid highway system under the laws that are passed by this body in order for the maintenance and upkeep of that system to go forward to be thrown in the trashcan and proceed off building a bunch of other things. So when the plan submission comes in, that will be one thing that at least I will ask that we be looking at.

John, I do not know if there is anything more that should be said on that.

Mr. MINETA. So you are going to be withholding 25 percent and then trying to see how evenly those moneys are obligated for the term, for the balance of the fiscal year, is that correct?

Mr. HASSELL. Each State will be notified of the amount that it can expect for the remainder of the year. Twenty-five percent will be withheld pending the latter part of the year, and we will be looking at the obligation plans of all the States for a relatively smooth stream of obligations, rather than everybody rushing out to obligate the first couple of weeks.

But that kind of a planning activity, I think most States plan to go through anyway, because they will have to reassess their programs for the remainder of the year within the obligation ceiling that they have remaining.

Mr. ATKINSON. Mr. Chairman, may I clear the record on one point?

Mr. MINETA. Yes.

Mr. ATKINSON. Earlier on, it was stated that the States had not lapsed any funding. I think your remark, Mr. Secretary, was that they should go to statute, those States that do.

For the record—and I think it should be a consideration, and that is why I do not want to belabor the point—but I have received information from the Pennsylvania Department of Transportation that Pennsylvania lapsed $237 million in fiscal 1977-78 for interstate highway funds, and $137 million again in fiscal 1978-79. That came as a result of the Federal Highway Act of 1978 which changed the length of time for interstate obligations, I guess, from 4 years to 2 years.

Mr. GOLDSCHMIDT. Well, I am not sure of the breakdown that the chairman at the time was talking about, about including only the District of Columbia. But it is my impression that those lapsed funds are interstate funds which come back to them through the interstate cost estimate. Essentially, they did not lose them permanently.

I think apparently, there is a suggestion that we had one winner that actually lost some money forever and ever. If so, that is sort of a supreme sacrifice, and it deserves a statue. I do not know that to be factual, but thank you for the information.

Mr. ATKINSON. Thank you.

Mr. MINETA. Mr. Hassell, you say that for those projects that were going to be advertised in mid-April, they may be delayed?

Mr. HASSELL. Depending upon the circumstances in each State and the regulations or statutes that they operate under in letting projects. Some States have a fairly loose procedure whereby they can let projects with a week or two of advertising. Others have statutory arrangements that specify 4, 6, 8 weeks of advertising before they can let.

Mr. MINETA. Mr. Secretary, it is my understanding that the Federal aid highway program needs an additional $1.5 billion in liquidating cash in fiscal year 1980, but there is some question of the Budget Committee's willingness to provide for this amount in the third budget resolution.

Have you communicated with the Budget and Appropriations Committees on this issue?

Mr. GOLDSCHMIDT. I believe so.

Mort?

Mr. DOWNEY. Yes, we have communicated with them informally over the last few weeks to indicate that this would be a need, and

the President's budget revisions that were sent up yesterday formalized that communication, indicating we need a $400 million supplemental that had earlier been requested plus a $1 billion supplemental that will now be requested.

Mr. MINETA. Are there any other options that the Congress might have to provide the necessary liquidating cash?

Mr. DOWNEY. Short of appropriating the funds, the only other option is to not pay the bills.

Mr. MINETA. And if the funds are not appropriated for fiscal year 1980, what would be the resulting damage?

Mr. DOWNEY. The results would be that very shortly, we would have to stop paying the States for work they had done; presumably, they would have to stop paying the contractors for work that had been done. These are all reimbursement payments. They are not the payments for new work.

Mr. MINETA. What about the case where a State is denied reimbursement; would they be successful in possibly recovering Federal funds through the courts?

Mr. DOWNEY. I do not know. I would expect they probably would be able to, but I could not speak to that point.

Mr. MINETA. Is it feasible to delay the appropriation until fiscal year 1981, since that is the year we intend to balance the budget?

Mr. DOWNEY. If it were delayed until fiscal year 1981, that would be an extra billion to billion and a half spending in that year, which would make it that much more difficult to balance the budget in 1981.

Mr. MINETA. Very well.

Thank you very much, Mr. Secretary.

The subcommittee stands adjourned.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned.]

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